

New Hampshire's

GraniteCare Plan

Legislative Fiscal Committee



**John A. Stephen, Commissioner
New Hampshire Department of Health and Human Services
November 10, 2004**



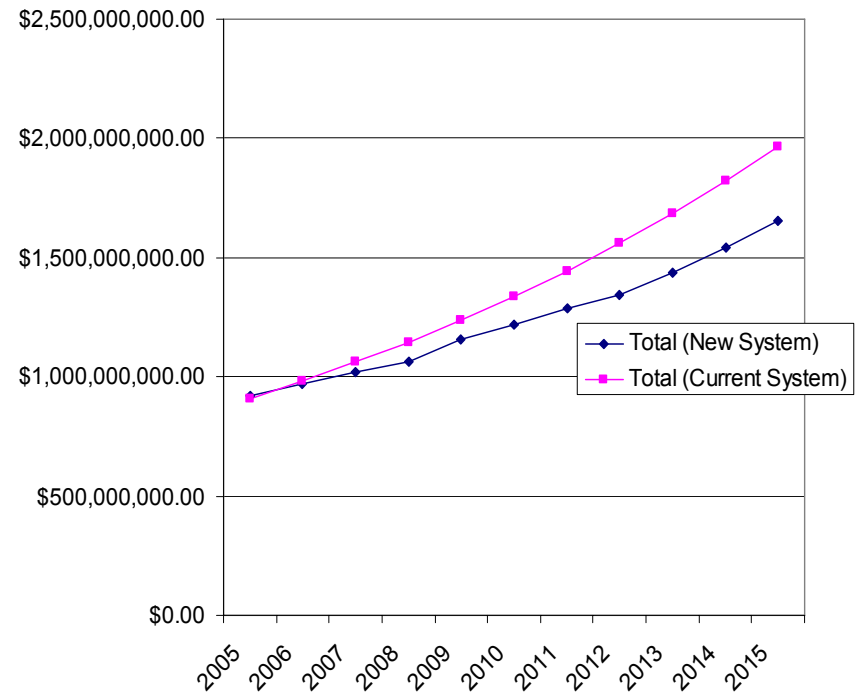
Agenda

- Opening Remarks
- GraniteCare: The Big Picture
- Background and Context of the Medicaid Program
- Pressures for Change
- New Hampshire's Options
- The New Hampshire Response: GraniteCare
- Preliminary Financial Analysis of GraniteCare
- Implementation Challenges
- Next Steps
- Question and Answer Session

GraniteCare: The Big Picture

- We intend to achieve an estimated cumulative savings (net of costs) of ~ \$280 million over 5 years
- We will transform the system with several key initiatives
- The presentation today will outline why and how we propose to make changes in the Medicaid program

Change in Trend Resulting from Implementation of Medicaid Modernization Plan





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Background and Context



What is Medicaid?

- Medicaid is a:
 - Health insurance program for low-income parents (mostly mothers) and children
 - Long-term care program that, nationwide, supports 70% of all nursing home residents
 - Program of services to eligible people with disabilities and mental illness
- An entitlement program in existence since 1965
 - Federal government pays
 - 50% of most costs in New Hampshire
 - Counties splits cost with State for certain services

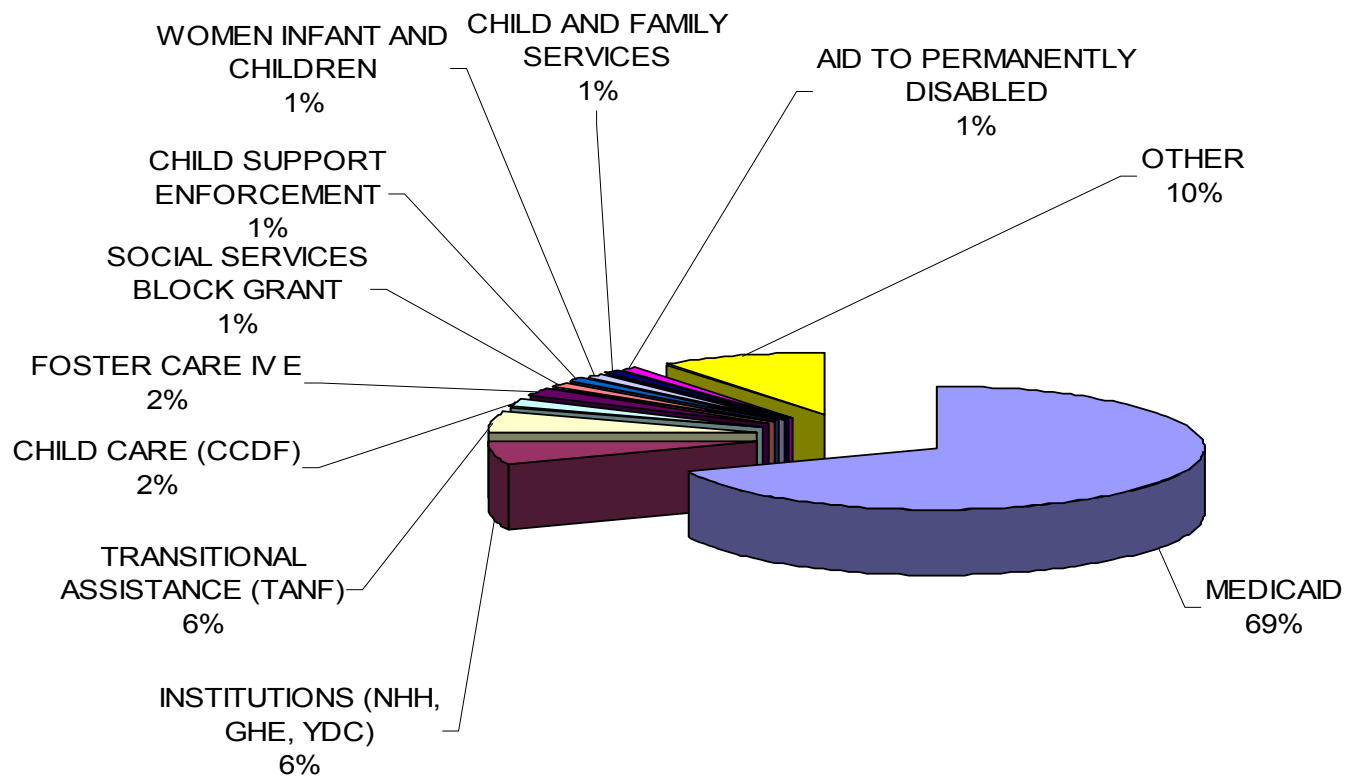


Medicaid in New Hampshire

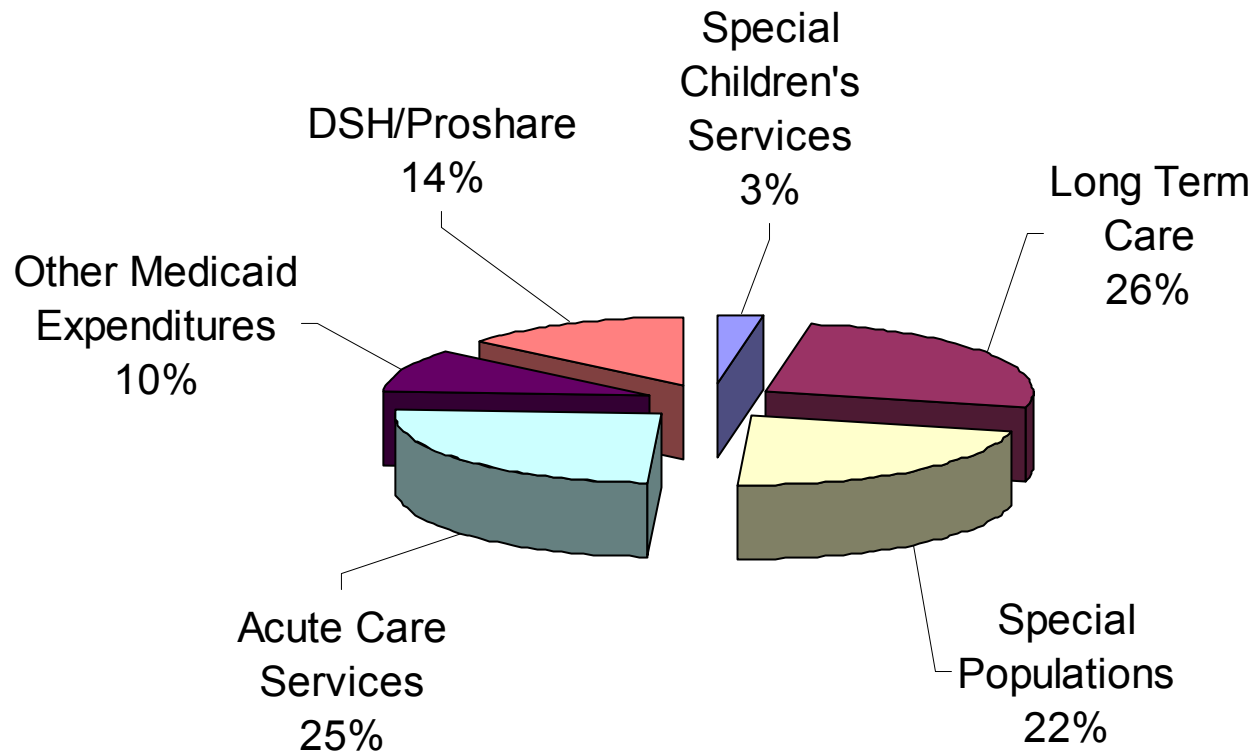
- Serves approximately 94,000 clients in each month
 - Serves over 20% of children under 9 years of age
 - Serves over 25% of those over 85 years of age
 - Serves over two-thirds of those in nursing homes
 - Serves 7.9% of NH residents-US average is 14.6%
- Safety net for economically distressed regions
 - Medicaid covers 20% of Coos County population
- SFY '05 Medicaid expenditures were \$881M



DHHS Expenditures by Program



Medicaid Expenditures by Population/Service





Medicaid Vs. Education

- National Association of State Budget Officers projects;
 - Medicaid will become the #1 cost facing state governments in 2004
 - In 2003, both accounted for 21% of spending
 - In 1987 by comparison, Medicaid was 10.2%, Education was 22.8%
 - In New Hampshire, if no changes made in the Medicaid program, we are likely to see the same trend
 - Costs under the program are rising at about 8% per year
 - All states are exploring options to address



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Pressures for Change



The Process

- Public Hearings from May to July of 2004
 - 11 public forums
 - Over 1,400 attended with over 400 providing comment
 - Communicated with many organizations and associations
- Key Messages we heard
 - Maintain services for basic health and well-being
 - Give consumers and their families greater
 - Choice and control in who provides and how services are delivered
 - Options for remaining in their homes and communities
 - Prevention activities for young and old save money
 - Provider rates are inadequate



The Challenge

- How do we meet the needs and expectations of those who spoke when we're confronted with:
 - Budget shortfalls
 - Aging population
 - Federal revenue reductions
 - Rising costs
 - Inefficient service delivery system



Pressures for Change: Demographics

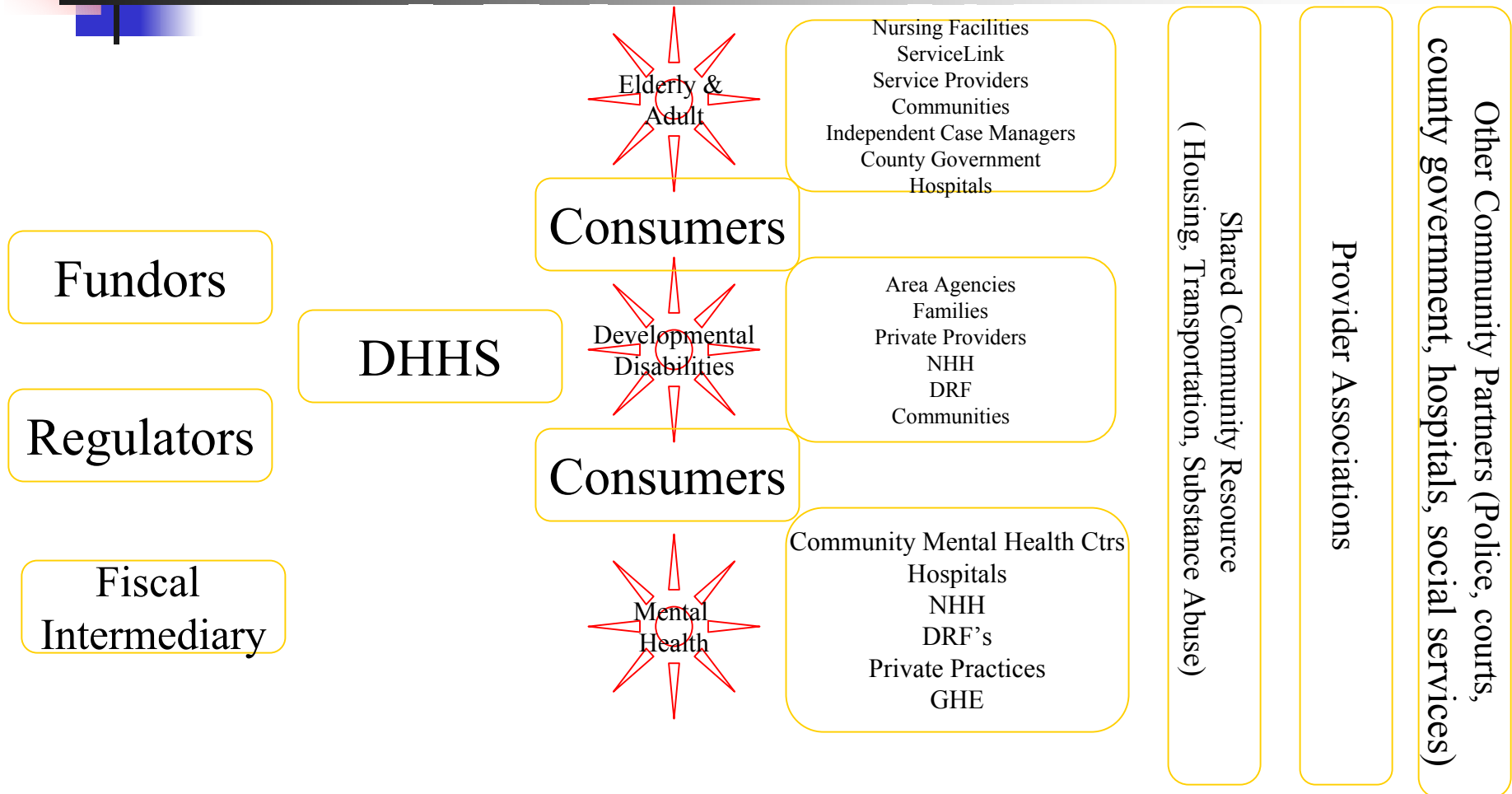
- NH population projections from 2000 to 2010
 - Overall population will grow 10% to 1.36M
 - Those aged 65-74 will grow by 25%
 - Those aged 75-84 will grow by 9%
 - Those 85 and above will grow by 45%
 - These persons 5-6x more likely to need nursing home care
- Indirect impacts
 - Seeing increases in number of clients for developmental disability and mental health issues due to elderly parents no longer able to support child



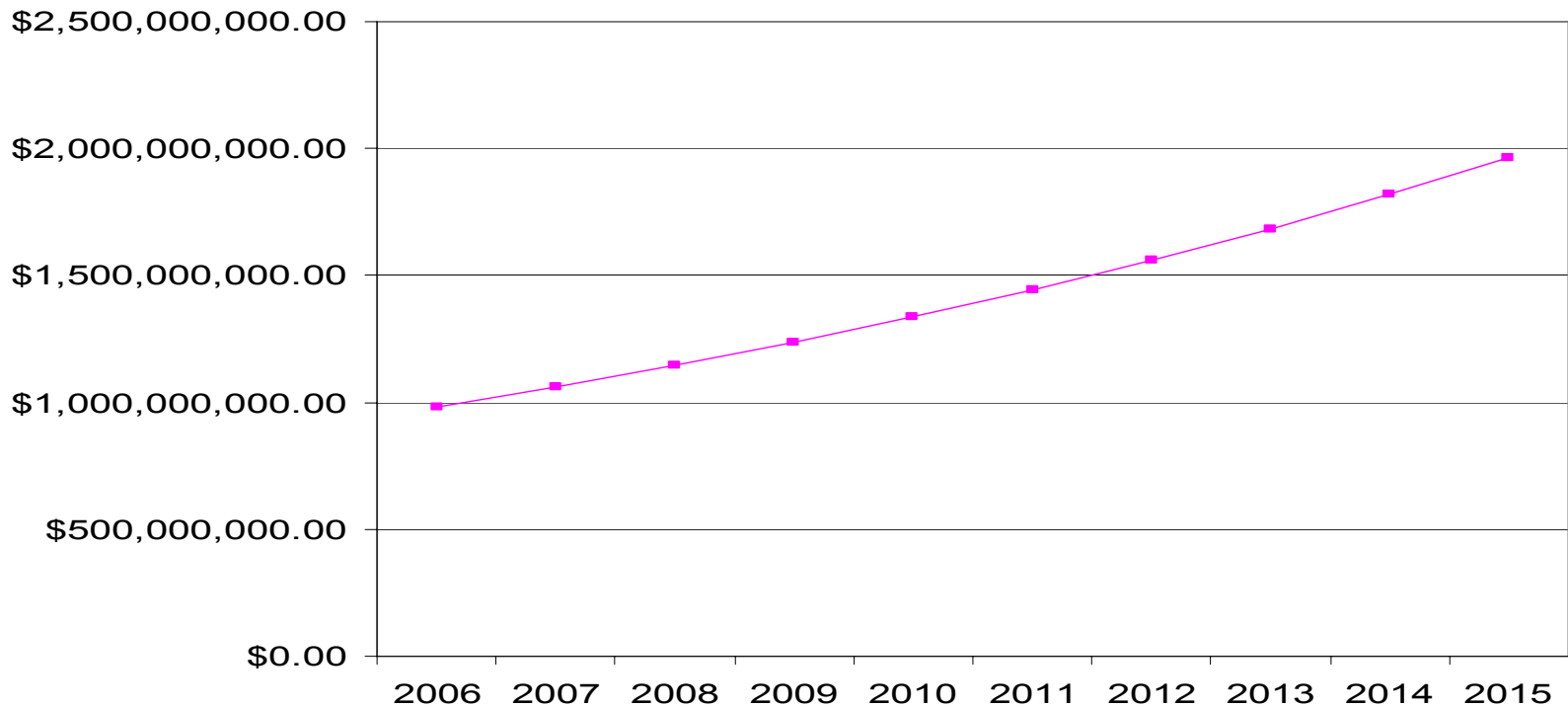
Pressures for Change: Federal Revenues to NH

- NH has been highly successful in securing Federal revenues
 - From 1996 to 2005 increased
 - \$355M to \$618M
- Federal government targeting revenue “maximization”
- Estimated SFY '06/'07 shortfall of about \$180M
 - DSH reductions of \$105M
 - Reduced FMAP of \$27M
 - NHH DSH reductions of \$24M
 - Elimination of IGT of \$24M
- State General Fund expenditures for Medicaid
 - About \$320M in SFY '04

Pressures for Change: Non-integrated Service Delivery Systems



Pressures for Change: Rising Costs



Medicaid will be almost \$2B in 15 years if costs increase only 8%/year



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New Hampshire's Options



New Hampshire Options

- Do nothing
 - Develop additional funds to fill a growing gap yearly
- Reductions in services, rates, eligibility and or benefit levels
 - Federal law restricts State options
- Rebalance and transform the system
 - If we were designing a Medicaid program today, would we build separate and non-integrated service delivery systems?



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New Hampshire's Response
Transformation Initiatives of
GraniteCare



GraniteCare

- Is a starting point for difficult and challenging questions facing the State and policy makers
- Is a series of concepts and analysis to transform and rebalance the State's Medicaid program
 - Shifts the primary focus of care
 - From provider focused to consumer focused
 - Streamlines and integrates service delivery systems
 - Strong prevention focus
 - Based on New Hampshire principles



What We Heard

- Don't eliminate my services
- Consumer Centered System
 - Self-directed care
 - Choice on who and where services are provided
 - Personal Responsibility
 - Prevention
- Service Delivery System
 - Integrated
 - Competitive
- Pay for Quality and Effectiveness of Outcomes
- Community Based Services



Primary Concepts

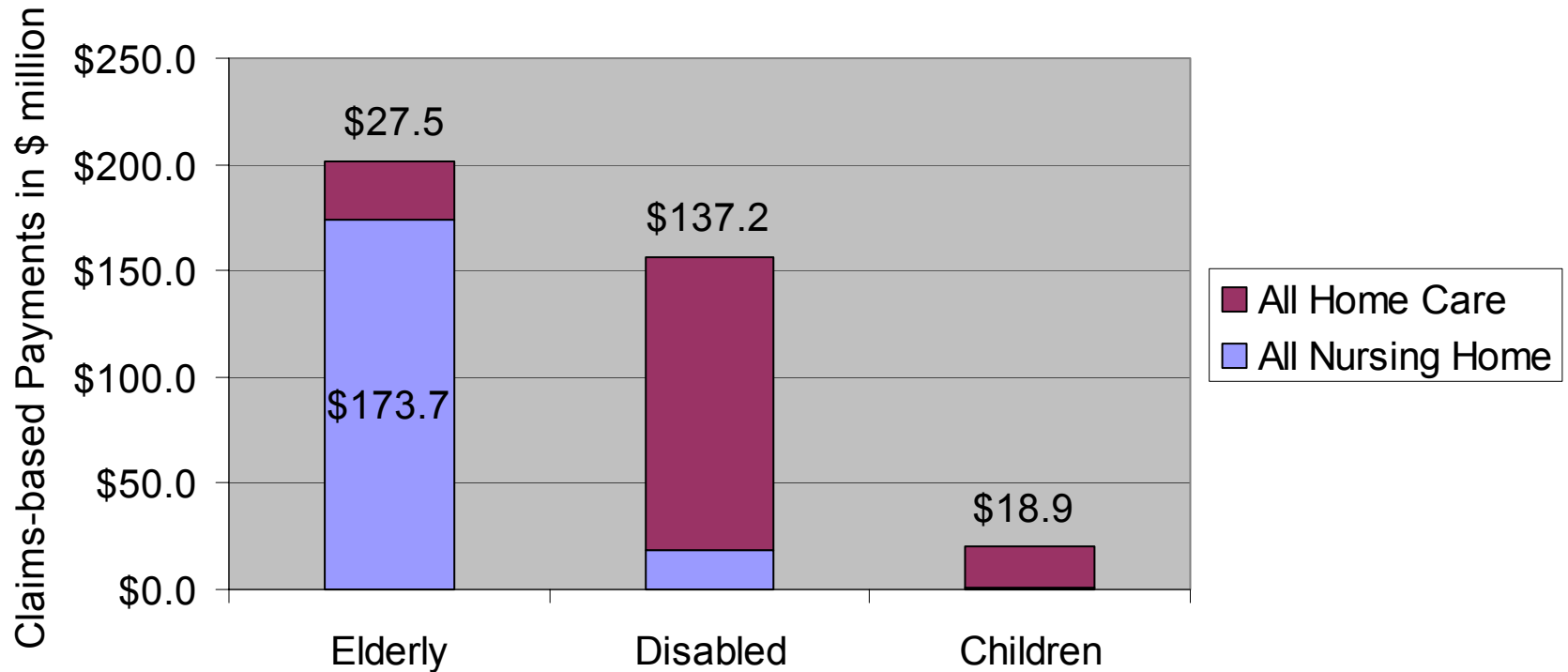
- Rebalance the long-term care system
- Establish a “single point of entry” into the long-term care system
- Strengthen care and disease management
- Implement health services accounts for certain groups
- Pay for quality



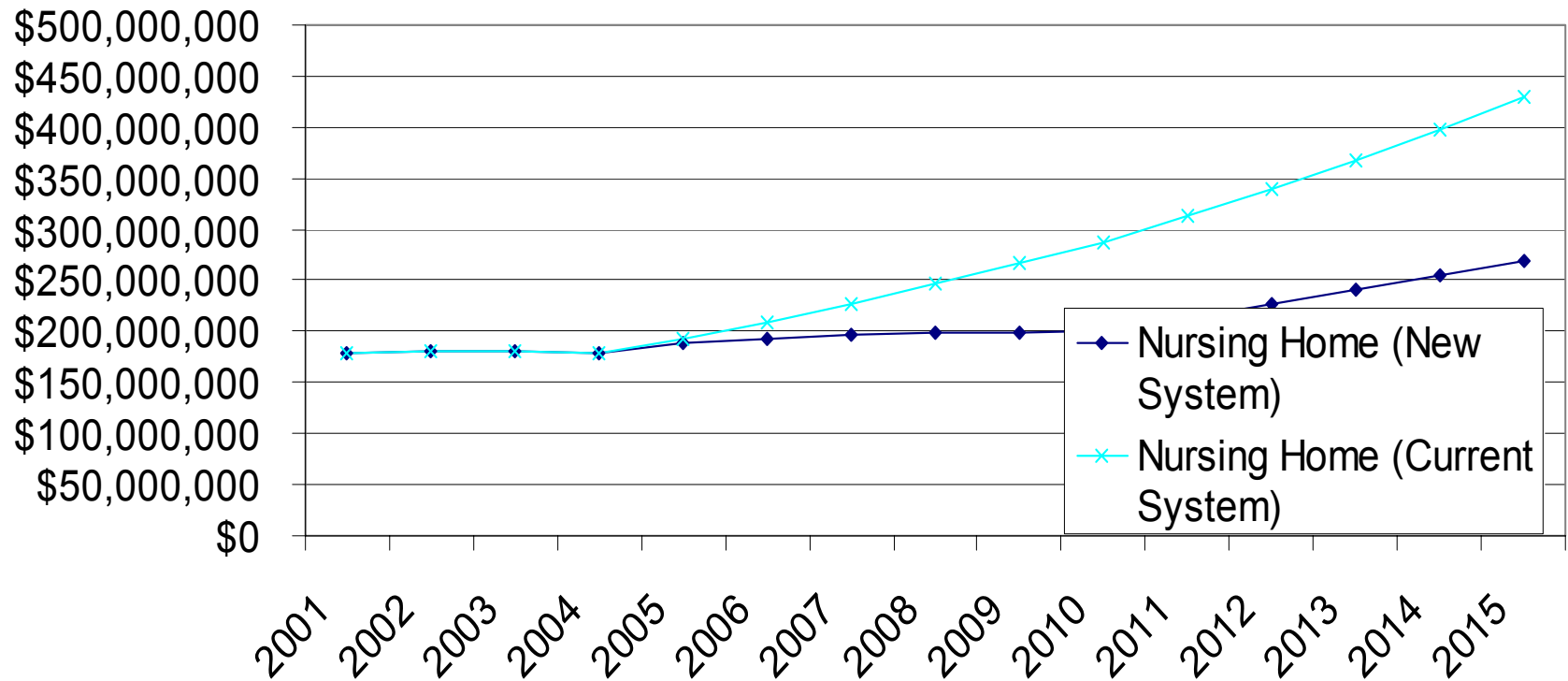
Rebalance Long-Term Care System

- Redirect consumers to less restrictive and less expensive levels of care
- Create community-based alternatives and infrastructure to care for consumers
- Reduce the need for care in institutional settings
- Reduce the reliance on public funds
 - Change the eligibility process extending the “look back” period

NH Medicaid: Nursing Home and Home Care Provider Claims-Based Payments



Change in Rate of Growth in Nursing Home Expenditures (New System)





Single Point of Entry

- Primary functions within the single point of entry include
 - Diagnosis, assessment and treatment plans integrating all facets of the consumer's health
 - Individual budgets – based on medical/financial necessity and community/family supports
 - Comprehensive care management
 - Consumer self-directed care and choice in provider selection
 - Extensive information, referral and access to triage services
 - Medicaid report cards



Strengthen Care and Disease Management

- Shift the focus of the current system from one where care is largely not managed to a comprehensive and integrated care management approach.
- Core elements include
 - Contract with an organization for creation of a medical home
 - Coordination of various contracts for disease management and utilization management
 - Use of predictive modeling and individualized care plans
 - Provide patient-level data and provider-level data to populate Medicaid report cards
 - Education and training support to individuals enrolled in a Medicaid Health Services Account



Health Services Accounts

- Implement a first in the nation “health services account” for populations for whom the State provides services on an optional basis
 - Focused on populations with income >133% of FPL
- Core elements include:
 - A required prevention component
 - Optional services managed by the consumer
 - Major medical coverage for services beyond the budget
 - Incentive bonuses for
 - Achieving prevention goals
 - Spending less than budgeted amount



GraniteCare Will Improve Health

- Place greater emphasis on preventive care
- Adjust provider rates to give incentives for quality care
 - “Pay for performance”
- Develop measures of quality performance
- Patient incentives for meeting personal prevention goals



Supporting Initiatives

- In support of the transformation initiatives, a number of supporting efforts are planned. Among the most significant are:
 - Medical Report Cards with indicators to measure the program, participants and the quality of providers
 - Information technology to enhance core programmatic and administrative functions
 - Workforce development
 - Rebalancing of home and community based care systems to control the “woodwork” effect
 - Restructuring service delivery systems



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Preliminary Financial Analysis



GraniteCare Fiscally Sound

Key assumptions

- Medicaid costs will grow at 8% per year
- A 30% reduction in the number of nursing facility beds over a 5-year period
 - Significant ramp-up in community infrastructure
- Care and disease management will return estimated savings of \$2.26 for every \$1 invested in prevention and management of treatment
- Health services accounts will reduce the cost increases for the affected population from 8% per year to 3% per year
 - Education of the consumer
 - Individual budgets



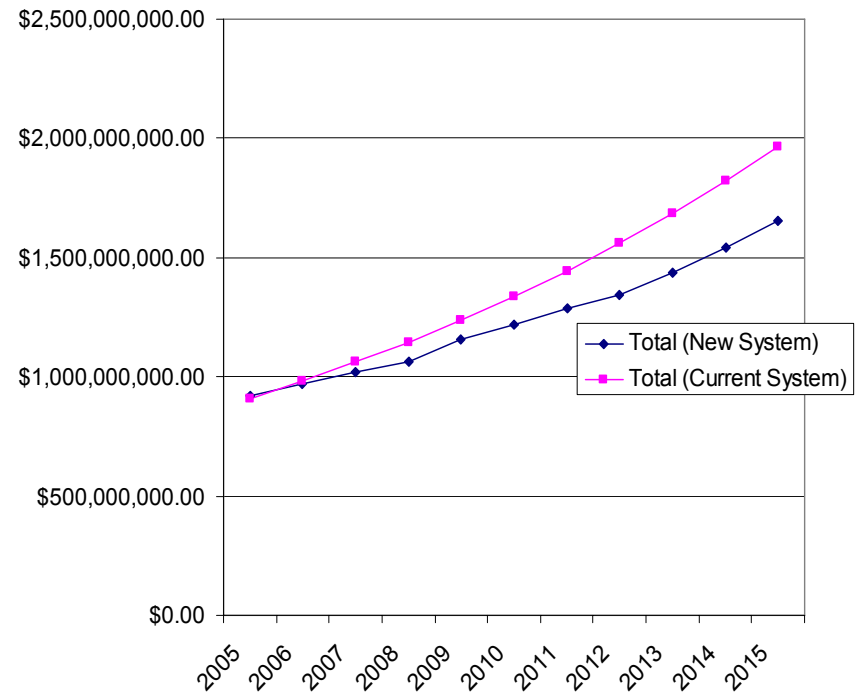
GraniteCare Investment Costs

- Investments required to achieve the savings
 - Up front Federal funding
- Build the single point of entry
 - Partially funded by rebalancing current service systems
- Care management \$7 per member, per month
- Health services account administrative function
- Information and communication technology
 - Infrastructure
 - Applications
 - Enabling technologies

Summary

- Achieve an estimated cumulative savings (net of costs) of ~ \$280 million over 5 years
- Transformative Concepts
 - Rebalance long-term care system
 - Single point of entry
 - Care and disease management
 - Health Services Accounts
 - Paying for quality

Change in Trend Resulting from Implementation of Medicaid Modernization Plan



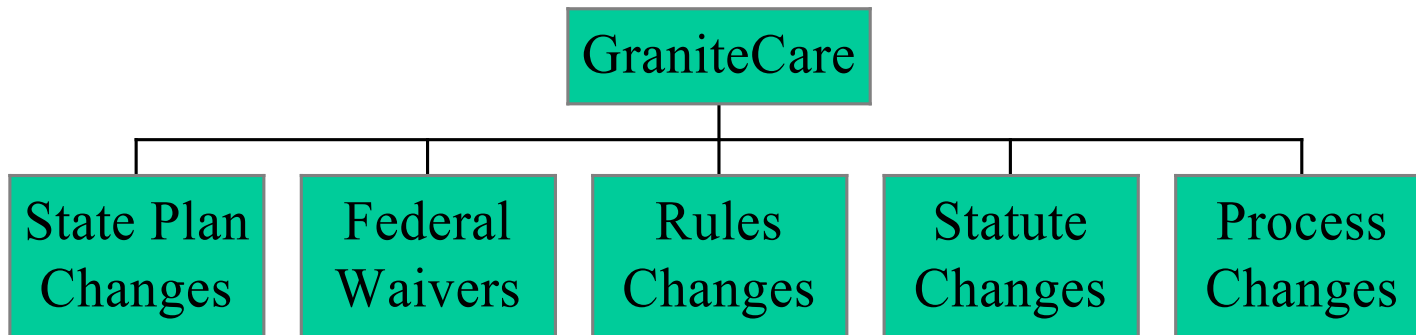


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Implementation Challenges



Potential Strategies



***Implementation is dependent on multiple strategies
Including Federal waivers***



What is an 1115 Waiver?

- Section 1115 of the Social Security Act provides the Secretary of HHS with broad authority to authorize experimental, pilot, or demonstration projects, which are likely to assist in promoting the Medicaid program
- Key features include:
 - Required public input
 - Demonstrate a new concept
 - Provision of services to those who might not be eligible
 - Evaluation and reporting of results
 - Generally done over a 5-year time frame
 - Budget neutrality over the life of the program
 - Must not cost Federal government more than without a waiver



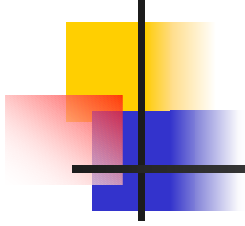
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Next Steps



Next Steps

- Continue to manage the program and streamline to drive greater operating efficiencies in the short term
- Additional public input and legislative approval required
- Working with CMS, develop and refine the transformation concepts
- File necessary waivers
- Pursue State and Federal approvals



Thank You



Notes
